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Most business people I meet are looking for their business to finance their lifestyle both now and in retirement. For many, the "now" is well controlled, with salary and dividend arrangements designed to minimise personal tax; but often the retirement planning is dismissed, "I'll sell the business when the time comes and use the cash to finance my retirement". It is a plan, but with respect, it is a very poor one as it makes no allowances for the things that can go wrong between now and retirement; neither does it make the best use of the tax regime or make the business ready for sale.

Need to look at how to secure your wealth for the future?

Q. My business turns over £1,250,000 per annum and makes a good profit. I'm 50 and looking to retire in 10-15 years, but other than a small final salary pension, I have made no provision. What should I do now?

By the sound of it, most of your saved wealth is in the business, so ultimately you need to move your wealth out of the business and into assets that will give you passive income, (income that will come to you whether you work in it or not). Ideally, you should do a number of things simultaneously; make pension contributions, so you can take out any surplus wealth from the company and secure it from the possibility of bankruptcy; start developing a plan to sell the business to a third party, an "Exit Strategy"; and redesign the business so that it can function without you.

Q. Almost all business processes rely on me to start or authorise them, how should I re-design the business to work without me?

Firstly, if the business is so dependent on you, how would your family cope if you feel ill or died? You are currently vital to your company's survival, so you should be insured for death or illness to protect all of you. (see the Key Man column, two weeks ago). Once that is addressed, look across the various aspects of the business and see which items can be devolved to others you already employ or to a manager you appoint for the purpose. Developing an exit strategy will not happen overnight, so be prepared to stand back and see what needs to change several times. The ideal business for sale will run itself, only needing attention for major changes in policy; businesses like this are easier to sell when the time comes and will command a premium.

Q. Why do you believe I should look at a pension as well?

At present almost all of your assets are tied up in the business, so if your business fails, you will lose almost everything. Holding diverse assets is the only way to ensure that you can preserve some wealth, so take some assets out and place them in a trust, tax free, for your ultimate benefit. The pension rules make such a trust commonplace, but people sometimes overlook the obvious. In some circumstances, you can still use your pension money in the business; if you buy commercial property, you can trade from it and take passive income from it once you retire.

Q. Is that a SIPP?

Yes, a Self Invested Personal Pension, (SIPP), allows you to buy commercial property or other approved assets with your pension fund and up to 50% borrowed funds. For a business that requires commercial premises, the SIPP allows the owner to protect some assets from bankruptcy, take profit from both the trading income of the company and the premises rent and get tax relief on the property borrowings. It is not without complications though, it can be costly to establish, complex to administer and vulnerable to changing legislation. For accumulation of initial pension funds, a conventional Personal Pension Plan is likely to represent better value than a SIPP, converting the scheme once you have enough capital to make a suitable investment. Get independent advice at an early stage, as this can prevent difficulties later.

The information above is for reference only and does not constitute an offer or personal recommendation of any kind. A pension is a long-term investment. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation. The fund value may fluctuate and can go down. Tax legislation can and may change in the future.

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